

**IN THE UNITED STATES BANKRUPTCY
COURT FOR THE WESTERN DISTRICT OF
TEXAS AUSTIN DIVISION**

In re:

MADJAK, LLC
Dba Face to Face Spa
Debtor

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§

Chapter 11

Case No. 22-10641-tmd

DEBTOR'S MOTION FOR USE OF CASH COLLATERAL

TO THE HONORABLE UNITED STATES BANKRUPTCY JUDGE:

COMES NOW Madjak, LLC, Debtor herein, and files this Motion for Use of Cash Collateral, and in support thereof would show the following:

1. By this Motion, the Debtor seeks interim and final relief allowing it to use cash collateral in the continuing operation of its business.

JURISDICTION AND PROCEDURAL BACKGROUND

2. On September 30, 2022 (the "Petition Date"), Debtor filed a voluntary petition for relief under chapter 11 of title 11 of the United States Code (the "Bankruptcy Code") in the United States Bankruptcy Court for the Western District of Texas, Austin Division ("Court"), thereby commencing this chapter 11 case ("Case"). Debtor continues in possession of its property and it is operating and managing its business as a debtor in possession pursuant to the provisions of 11 U.S.C. §§ 1107(a) and 1108.

3. No trustee or examiner has been appointed in the Debtor's Chapter 11 Case, nor has a creditors' committee or other official committee been appointed pursuant to 11 U.S.C. § 1102.

4. The Court has jurisdiction over this matter pursuant to 28 U.S.C. §§ 1334 and 157.

This Motion is a core proceeding pursuant to 28 U.S.C. § 157(b)(2)(A). Venue is proper in this Court pursuant to 28 U.S.C. §§ 1408 and 1409.

5. The basis for the relief herein is primarily grounded in 11 U.S.C. §363

Overview

6. The Debtor operates a med spa on Avery Ranch Road in Austin, Texas.

7. Review of the records of the Texas Secretary of State disclose the following filed liens against the Debtor:

Date of Filing	Lienholder	Original Amount	Collateral
6/14/2020	U.S. Small Business Administration	\$499,300.00	All tangible and intangible personal property
2/8/2022	IRS	\$21,155.49	All property
4/20/2022	IRS	\$55,828.14	All property
7/13/2022	IRS	\$5,736.11	All property
8/15/2022	IRS	\$30,276.25	All property
9/9/2022	Corporation Service Company as representative for Everest Business Funding	\$38,817.00	Accounts receivable
9/9/2022	Funding Metrics	\$16,722.00	Accounts receivable
9/9/2022	Fintegra, LLC	\$41,799.72	Accounts receivable
9/19/2022	IRS	\$16,753.69	All property

8. The liens of Everest Business Funding, Funding Metrics and Fintegra, LLC were all perfected during the preference period and are subject to avoidance.

9. The lien of the Small Business Administration likely exceeds the value of the Debtor's assets so that the other secured creditors are likely unsecured.

Reasons for Filing Bankruptcy

10. The Debtor provides services promoting skin health and beauty. Its services are an optional lifestyle enhancement. During Covid-19, its revenues declined dramatically as its customers, primarily women, did not go out in public as much. During this time, the Debtor became delinquent on its obligations to the Internal Revenue Service and took out several merchant cash advance loans.

NECESSITY FOR REQUESTED RELIEF

11. Debtor generates Cash Collateral from the operation of its business when it collects revenues from its customers. Debtor must obtain approval for the use of the Cash Collateral. It is critical for Debtor to have access to its cash and other business property to continue to operate in the ordinary course of business and to pay normal operating expenses.

12. Debtor can meet its ongoing post-petition obligations only if it borrows funds post-petition or obtains authority for use of Cash Collateral. It believes the former will decrease the value of its business. Debtor believes the latter is preferable as it has generated multiple projections and believes it is able to cash flow post-petition if it has the funds available from or generated by its pre-petition cash collateral to pay its post-petition expenses. Thus, in order to continue operations as normal and to preserve the value of the estate pending confirmation of a plan of reorganization, Debtor needs immediate authority to use the Cash Collateral.

ARGUMENTS AND AUTHORITIES IN SUPPORT OF REQUEST FOR TEMPORARY AND FINAL USE OF CASH COLLATERAL

13. Debtor requires immediate authority from the Court to use the Cash Collateral in the ordinary course of its business and on an interim basis until there is a final hearing on this Motion.

14. Debtor requests the authority to use cash collateral to operate its business.

15. Under 11 U.S.C. §363(c)(2), the Debtor may not use, sell, or lease the Cash

Collateral without the Court's authority or consent. Section 363(e) allows the Court to grant this authority upon the provision of adequate protection to the secured parties.

16. Debtor requires the continued authority to use Cash Collateral beyond the interim period in order to continue its business until a plan of reorganization can be confirmed. Debtor's need to use the Cash Collateral will continue during the pendency of this bankruptcy case.

17. Debtor also requests that this Court schedule a hearing for final approval on the use of Cash Collateral, on notice to creditors and parties in interest, in the event an objection is filed to the terms of the interim order.

18. The immediate and temporary approval for the use of the Cash Collateral is consistent with (i) Bankruptcy Code requirements for maintaining the going concern of a debtor's business operations; (ii) the law under 11 U.S.C. §§ 363 and 361 as to the use of cash collateral and adequate protection; and (iii) facilitating a successful reorganization under chapter 11 of the Bankruptcy Code.

19. The failure to authorize the immediate use of Cash Collateral on which the secured parties hold liens will result in a swift and significant deterioration of Debtor's business. Failure to gain authority to use, sell, or lease such collateral will result in a cessation of Debtor's business activities, which would expose Debtor to additional liability and would leave unsecured creditors with little hope of distribution in this case.

20. The Bankruptcy Code contemplates a debtor's use of collateral during the reorganization of its business. Sections 102(1) and 363 of the Bankruptcy Code provide that collateral may be used upon notice and opportunity for a hearing appropriate in the particular circumstances. Relief may be authorized without an actual hearing if there is insufficient time available and adequate protection has been provided. 11 U.S.C. § 363(e). The combination of

Debtor's emergency needs to satisfy pending obligations and current operating needs, together with the provision of adequate protection are sufficient to authorize the interim use of the collateral as set forth herein.

21. Section 361 of the Bankruptcy Code sets forth various types of adequate protection which Debtor may provide:

- a. making periodic cash payments to the extent that the creditor suffers a decrease in the value of its interest in such property;
- b. granting replacement liens in collateral to compensate the creditor for any decrease in the value of the creditor's interest in such property; or
- c. granting other relief as will result in the realization of the indubitable equivalent of the creditor's interest in collateral.

Additionally, the presence of an equity cushion may be sufficient to provide adequate protection.

14. Debtor proposes to provide adequate protection to the parties with an interest in cash collateral in the following manner

- a. The Debtor shall provide all creditors with an interest in cash collateral with a replacement lien upon assets obtained post-petition to the same extent, priority and validity as their pre-petition liens.

- b. Debtor will maintain insurance upon its assets.

15. Debtor requests permission to pay its usual and customary operating expenses of the same type and approximate amounts set forth on its budget. Debtor's estimated cashflow budget is attached as Exhibit A.

WHEREFORE, Debtor requests that the Court authorize the use, sale, or lease of Cash Collateral on an interim basis and, upon setting and conducting a final hearing, issue a final order

authorizing the use, sale, or lease of such cash collateral with the adequate protection to the secured parties as set forth herein; and grant any other and further relief to which Debtor is entitled.

Respectfully Submitted,

BARRON & NEWBURGER, P.C.

7320 N. Mopac Expy, Suite 400

Austin, Texas 78731

(512) 649-3243

(512) 476-9253 Facsimile

/s/ Stephen Sather

Stephen Sather

State Bar No 17657520

ATTORNEY FOR DEBTOR

CERTIFICATE OF SERVICE

The undersigned hereby certifies that on October 3, 2022, a true and correct copy of the above and foregoing *Expedited Motion for Cash Collateral* was served upon the parties on the attached Matrix by United States Mail, first class, postage prepaid, or by electronic transmission through the Court's ECF noticing system to those parties-in-interest registered to receive such service.

/s/ Stephen Sather

Stephen Sather

Label Matrix for local noticing
0542-1
Case 22-10641-tmd
Western District of Texas
Austin
Fri Sep 30 16:37:51 CDT 2022

Madjak, LLC
14900 Avery Ranch Blvd., Suite C100
Austin, TX 78717-3960

U.S. BANKRUPTCY COURT
903 SAN JACINTO, SUITE 322
AUSTIN, TX 78701-2450

(p)EVEREST BUSINESS FUNDING LLC
8200 NW 52ND TERR
SECOND FLOOR
DORAL FL 33166-7852

Fintegra
99 Wall Street Suite 686
New York, NY 10005-4301

Funding Metrics
dba Lendini
3220 Tillman Drive,
Suite 200
Bensalem, PA 19020-2028

Internal Revenue Service
Centralized Insolvency Office
Po Box 7346
Philadelphia, PA 19101-7346

Linidini
3220 Tilman Drive 19020-2050

McGahey, Robert
1900 CR 245
Georgetown, TX 78633-4394

Merz North America, Inc.
PO Box 10973
Palatine, IL 60055-0973

Rossman, Jeff
8105 Ceberry, Unit B
Austin, TX 78759-8705

(p)TEXAS COMPTROLLER OF PUBLIC ACCOUNTS
REVENUE ACCOUNTING DIV - BANKRUPTCY SECTION
PO BOX 13528
AUSTIN TX 78711-3528

Texas Workforce Commission
TWC Building - Reg. Integrity Div.
101 East 15th Street
Austin, TX 78701-1442

U.S. Small Business Administration
Little Rock Commercial Loan Processing
Center 2120 Riverfront Drive, Suite 100
Little Rock, AR 72202-1794

United States Attorney
Department of Justice
950 Pennsylvania Avenue, N.W.
Washington, DC 20530-0009

United States Attorney, U.S. SBA
601 N.W. Loop 410 600
San Antonio, TX 78216-5597

United States Trustee - AU12
United States Trustee
903 San Jacinto Blvd, Suite 230
Austin, TX 78701-2450

Stephen W. Sather
Barron & Newburger, PC
7320 N MoPac Expy, Suite 400
Austin, TX 78731-2347

The preferred mailing address (p) above has been substituted for the following entity/entities as so specified
by said entity/entities in a Notice of Address filed pursuant to 11 U.S.C. 342(f) and Fed.R.Bank.P. 2002 (g)(4).

Everest Business Funding, LLC
5 West 37th Street Suite 1100
New York, NY 10018

Texas Comptroller of Public Accounts
Bankruptcy Section
PO Box 13528
Austin, TX 78711

End of Label Matrix
Mailable recipients 17
Bypassed recipients 0
Total 17

11/1/2022	ATT	\$286.19							11/1/2019	\$14,684.70		11/1/2022	\$33,601.60	\$36,165.59	\$32,000.00
11/2/2022	Advertising	\$602.00							11/2/2019	\$14,334.70		11/2/2022	\$34,099.60	\$1,429.33	\$1,200.00
11/3/2022	Retail Products	\$3,000.00							11/3/2019	\$14,334.70		11/3/2022	\$32,199.60	\$1,514.75	\$1,200.00
11/4/2022	Supplies	\$500.00							11/4/2019	\$17,797.33		11/4/2022	\$33,099.60	\$1,833.40	\$1,400.00
11/5/2022	Rent/Payroll/Intuit	\$23,773.00							11/5/2019	\$18,785.22		11/5/2022	\$10,226.60	\$1,088.72	\$1,000.00
11/6/2022	Google Storage/Franchise Fee	\$905.40							11/6/2019	\$16,218.45		11/6/2022	\$10,521.20	\$1,032.19	\$1,200.00
11/7/2022	Electric	\$681.00							11/7/2019	\$14,444.13		11/7/2022	\$10,940.20	\$1,652.78	\$1,200.00
11/8/2022	Dr Fee	\$675.00							11/8/2019	\$12,399.09		11/8/2022	\$11,565.20	\$1,709.79	\$1,400.00
11/9/2022	Supplies	\$500.00							11/9/2019	\$12,228.68		11/9/2022	\$12,265.20	\$1,596.09	\$1,200.00
11/10/2022	IRS Deposit	\$3,500.00							11/10/2019	\$12,228.68		11/10/2022	\$9,865.20	\$958.36	\$1,100.00
11/11/2022		0 \$0.00							11/11/2019	\$12,228.68		11/11/2022	\$11,365.20	\$1,703.01	\$1,500.00
11/12/2022	Google Storage	\$12.00							11/12/2019	\$11,521.13		11/12/2022	\$12,553.20	\$898.81	\$1,200.00
11/13/2022	ATT	\$0.00							11/13/2019	\$12,340.55		11/13/2022	\$13,553.20	\$982.56	\$1,000.00
11/14/2022	Retail Products	\$3,000.00							11/14/2019	\$13,508.11		11/14/2022	\$11,853.20	\$746.23	\$1,000.00
11/15/2022	Spectrum Internet	\$131.00							11/15/2019	\$13,778.99		11/15/2022	\$12,522.20	\$1,427.29	\$1,000.00
11/16/2022		0 \$0.00							11/16/2019	\$13,778.99		11/16/2022	\$13,922.20	\$1,254.20	\$1,200.00
11/17/2022		0 \$0.00							11/17/2019	\$13,778.99		11/17/2022	\$15,122.20	\$1,569.55	\$1,200.00
11/18/2022	Sales Tax	\$1,155.00							11/18/2019	\$13,347.17		11/18/2022	\$15,167.20	\$936.05	\$1,100.00
11/19/2022		0 \$0.00							11/19/2019	\$10,885.99		11/19/2022	\$16,967.20	\$1,298.64	\$1,300.00
11/20/2022	Nextiva/Payroll/Insurance	\$12,949.00							11/20/2019	\$5,408.70		11/20/2022	\$5,018.20	\$876.18	\$1,000.00
11/21/2022	Franchise Fee	\$3,700.00							11/21/2019	\$924.87		11/21/2022	\$2,318.20	\$1,629.15	\$1,200.00
11/22/2022		0 \$0.00							11/22/2019	\$240.80		11/22/2022	\$3,318.20	\$1,239.28	\$1,000.00
11/23/2022		0 \$0.00							11/23/2019	\$240.80		11/23/2022	\$4,318.20	\$2,468.67	\$2,000.00
11/24/2022	IRS Deposit	\$3,100.00							11/24/2019	\$240.80		11/24/2022	\$1,218.20	\$945.35	\$0.00
11/25/2022	Mood	\$165.00							11/25/2019	\$1,874.82		11/25/2022	\$2,153.20	\$1,508.05	\$1,100.00
11/26/2022	Advertising/ATT	\$625.00							11/26/2019	\$4,197.70		11/26/2022	\$3,128.20	\$1,989.52	\$1,600.00
11/27/2022	Retail Products	\$2,000.00							11/27/2019	\$4,544.36		11/27/2022	\$2,728.20	\$3,804.90	\$3,000.00
11/28/2022	Repairs	\$400.00							11/28/2019	\$4,544.36		11/28/2022	\$3,328.20	\$224.00	\$600.00
11/29/2022	Supplies	\$500.00							11/29/2019	\$5,071.38		11/29/2022	\$3,628.20	\$2,913.37	\$2,000.00
11/30/2022	Loans	\$3,000.00							11/30/2019	\$5,071.38		11/30/2022	\$2,028.20	\$2,266.27	\$2,000.00
12/1/2022	ATT	\$286.19							12/1/2019	\$4,194.80		12/1/2022	\$33,471.01	\$37,399.26	\$33,000.00
12/2/2022	Advertising	\$602.00							12/2/2019	\$10,641.82		12/2/2022	\$33,969.01	\$3,442.51	\$3,000.00
12/3/2022	Retail Products	\$3,000.00							12/3/2019	\$46,551.39		12/3/2022	\$32,069.01	\$1,477.76	\$1,400.00
12/4/2022	Supplies	\$500.00							12/4/2019	\$14,334.36		12/4/2022	\$32,969.01	\$1,408.85	\$1,400.00
12/5/2022	Rent/Payroll/Intuit	\$23,773.00							12/5/2019	\$15,041.96		12/5/2022	\$10,096.01	\$955.23	\$1,000.00
12/6/2022	Google Storage/Franchise Fee	\$905.40							12/6/2019	\$15,424.62		12/6/2022	\$10,390.61	\$2,622.13	\$2,000.00
12/7/2022	Electric	\$681.00							12/7/2019	\$15,237.37		12/7/2022	\$10,809.61	\$1,421.07	\$1,300.00
12/8/2022	Dr Fee	\$675.00							12/8/2019	\$15,237.37		12/8/2022	\$11,434.61	\$1,801.39	\$1,500.00
12/9/2022	Supplies	\$500.00							12/9/2019	\$14,860.83		12/9/2022	\$12,134.61	\$544.00	\$1,200.00
12/10/2022	IRS Deposit	\$3,500.00							12/10/2019	\$12,644.76		12/10/2022	\$9,734.61	\$1,049.80	\$1,100.00
12/11/2022		0 \$0.00							12/11/2019	\$10,641.78		12/11/2022	\$11,234.61	\$2,502.63	\$2,000.00
12/12/2022	Google Storage	\$12.00							12/12/2019	\$10,817.72		12/12/2022	\$12,422.61	\$1,562.58	\$1,200.00
12/13/2022	ATT	\$0.00							12/13/2019	\$10,776.98		12/13/2022	\$13,422.61	\$3,478.96	\$3,000.00
12/14/2022	Retail Products	\$3,000.00							12/14/2019	\$10,746.39		12/14/2022	\$11,722.61	\$1,911.65	\$1,500.00
12/15/2022	Spectrum Internet	\$131.00							12/15/2019	\$10,746.39		12/15/2022	\$12,391.61	\$1,444.42	\$1,200.00
12/16/2022		0 \$0.00							12/16/2019	\$15,232.58		12/16/2022	\$13,791.61	\$599.98	\$1,400.00
12/17/2022		0 \$0.00							12/17/2019	\$12,435.32		12/17/2022	\$14,991.61	\$1,862.58	\$1,600.00
12/18/2022	Sales Tax	\$1,155.00							12/18/2019	\$10,943.92		12/18/2022	\$15,036.61	\$2,795.03	\$2,100.00
12/19/2022		0 \$0.00							12/19/2019	\$9,769.18		12/19/2022	\$16,836.61	\$757.44	\$1,000.00
12/20/2022	Nextiva/Payroll/Insurance	\$12,949.00							12/20/2019	\$4,412.76		12/20/2022	\$4,887.61	\$2,293.91	\$2,000.00
12/21/2022	Franchise Fee	\$3,700.00							12/21/2019	\$4,287.76		12/21/2022	\$2,187.61	\$3,462.02	\$3,000.00
12/22/2022		0 \$0.00							12/22/2019	\$4,287.76		12/22/2022	\$3,187.61	\$1,481.51	\$1,200.00
12/23/2022		0 \$0.00							12/23/2019	\$1,564.98		12/23/2022	\$4,187.61	\$2,436.64	\$2,000.00
12/24/2022	IRS Deposit	\$3,100.00							12/24/2019	\$5,753.40		12/24/2022	\$1,087.61	\$378.00	\$0.00
12/25/2022	Mood	\$165.00							12/25/2019	\$0.00		12/25/2022	\$922.61	\$0.00	\$0.00
12/26/2022	Advertising/ATT	\$625.00							12/26/2019	\$6,731.58		12/26/2022	\$1,897.61	\$2,278.95	\$2,000.00
12/27/2022	Retail Products	\$2,000.00							12/27/2019	\$5,020.34		12/27/2022	\$1,497.61	\$1,854.10	\$1,600.00
12/28/2022	Repairs	\$400.00							12/28/2019	\$5,020.34		12/28/2022	\$2,097.61	\$1,989.68	\$1,000.00
12/29/2022	Supplies	\$500.00							12/29/2019	\$5,020.34		12/29/2022	\$2,397.61	\$1,959.03	\$800.00
12/30/2022	Loans	\$3,000.00							12/30/2019	\$8,015.93		12/30/2022	\$797.61	\$2,570.41	\$2,000.00
12/31/2022		0 \$0.00							12/31/2019	\$8,702.63		12/31/2022	\$1,497.61	\$1,097.02	\$700.00